

P-407, 421/CP-91-918 ORDER ADOPTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of a Petition for
Extended Area Service from Two
Harbors to Duluth

ISSUE DATE: January 25, 1993

DOCKET NO. P-407, 421/CP-91-918

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PROCEDURAL HISTORY

On November 19, 1991, subscribers in the Two Harbors exchange filed a petition requesting extended area service (EAS) to the Duluth exchange. Two Harbors is served by GTE-Midwest (GTE); Duluth is served by US WEST Communications, Inc. (US WEST).

On March 18, 1992, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES. In that Order the Commission found that the proposed Two Harbors/Duluth EAS route met the first two statutory criteria for granting the petition: the Two Harbors and Duluth exchanges are adjacent to each other, and there is sufficient traffic volume between the exchanges. The Commission also required GTE and US WEST to file the cost studies and proposed rates necessary for polling the petitioning exchange. If a majority of responding subscribers in the petitioning exchange favored EAS, the third statutory criterion would be fulfilled.

The telephone companies filed their costs and proposed rates in June and July, 1992. The companies filed alternative rates using cost allocations between the petitioning and petitioned exchanges of 75%/25%, 60%/40%, and 50%/50%.

On August 6, 1992, the Department of Public Service (the Department) filed its report and recommendation. The Department advocated a 75%/25% cost allocation. US WEST agreed with a cost allocation of 75%/25%; GTE did not comment regarding the allocation issue.

The matter came before the Commission on January 12, 1993. At the meeting, Dr. Leppink, the petition sponsor, and Mr. John Langdon, representing senior citizens of the Two Harbors area, spoke in support of a 50%/50% cost allocation.

FINDINGS AND CONCLUSIONS

Minn. Stat. § 237.161, subd. 3 (a) states that when the Commission apportions costs for a non-Metro EAS petition, between 50% and 75% of the costs must be allocated to the petitioning exchange. Within those parameters, the exact allocation is left to Commission discretion.

Dr. Leppink urged the Commission to adopt a 50%/50% cost split because both exchanges will be benefitted by EAS. Two Harbors will have access to Duluth as a center of business and commerce; Duluth will be benefitted by the inclusion of Two Harbors into its increasing "Metro Duluth" area. Since Two Harbors has approximately 3500 access lines and Duluth has approximately 50,000, it would be fair to allow the greater number of subscribers in Duluth to bear 50% of the burden.

Mr. Langdon pointed out that senior citizens comprise approximately 25% of the population of Lake County, in which Two Harbors is located. Many of these seniors are on limited fixed incomes. Mr. Langdon urged the Commission to apply a 50%/50% cost allocation and thus place the greatest possible burden on Duluth, whose population is somewhat younger and much larger than the population of Two Harbors.

The Department advocated a 75%/25% cost allocation. The Department's recommendation was based on the premise that the petitioning exchange, because it has the only voice in the proceedings, should bear the greatest possible portion of the cost.

The Commission has considered the positions of the parties carefully, and has balanced the benefits and burdens to the two exchanges. The Commission finds that a 60%/40% cost allocation in this case will result in the most fair and equitable rates.

The Commission has sympathy with the citizens of Two Harbors, but notes that this small community will greatly benefit from access to an urban center such as Duluth. The Commission does not agree with the Department that a petitioning exchange should always bear 75% of the burden; if this were true, the legislature would not have left the range between 50% and 75% to the Commission's discretion. On the other hand, benefits to the petitioning party are part of the balancing of burdens and benefits which the Commission uses to arrive at the proper allocation.

The Commission is aware that Two Harbors is only one of approximately three or four exchanges which are in the process of petitioning for EAS to Duluth. If Duluth were asked to absorb 50% of the cost of each of those petitions, the burden on Duluth subscribers could be substantial.

The Commission also notes that Two Harbors has less than one/tenth the subscribers of the Duluth exchange. Each of the Two Harbors subscribers will bear a proportionately greater share of the burden than will a subscriber in the more populous Duluth exchange.

After weighing the aforementioned factors, the Commission finds that a 60%/40% cost allocation results in equitable EAS rates for the Two Harbors and Duluth exchanges. The Commission will adopt rates for polling which incorporate this allocation, and will proceed toward polling of Two Harbors' subscribers. Representatives of GTE shall cooperate fully with Commission staff and agents in the process of polling.

ORDER

1. The Commission adopts the following rates for polling for the proposed Two Harbors/Duluth EAS route:

Two Harbors

Residential	\$ 6.50
Business	13.00

Duluth

1 FR	.24
1 FR Key	.24
2 FR	.17
1 FB	.58
1 FB Key	.62
Trunk	.67
Semi Pub	.58
2 MR	.00
1 MB	.32
1 MB Key	.34

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)